
Commerce & Labor Committee

HB 2517

Brief Description: Establishing minimum labor standards for certain large employers as related to health care services expenditures.

Sponsors: Representatives Cody, Conway, Chase, Morrell, Appleton, Green, Wood, Hasegawa, Hudgins, Ormsby, Miloscia, Dickerson, Kenney, Moeller, McDermott, Sells, Hunt, Williams, Simpson, Roberts, Schual-Berke, Lantz, McIntire and Kagi.

Brief Summary of Bill

- Establishes minimum standards for health care service expenditures for employers of 5,000 or more employees.
- Requires the director of the Department of Labor and Industries to administer and enforce these requirements.

Hearing Date: 1/19/06

Staff: Jill Reinmuth (786-7134).

Background:

Neither federal law nor state law set minimum standards relating to employment-based health benefits. Consequently, employers are free to choose whether to offer health benefits to their employees, and employees of some employers do not have access to employment-based health benefits.

Two recent surveys, the National Compensation Survey of Employee Benefits in Private Industry by the federal Bureau of Labor Statistics (the "national survey") and the Washington State Employee Benefits Survey by the state Employment Security Department (the "Washington survey"), reported on the incidence of access to and participation in medical care plans and other employment-based benefits. They also described how the incidence of medical care varies by establishment size.

The national survey for 2005 found that 63 percent of private establishments offered health insurance to their workers. Seventy percent of workers in private industry had access to medical care plans, and 53 percent participated in such plans. Nine out of ten larger establishments offered healthcare benefits to their workers, compared with six out of ten smaller establishments. Workers in medium-sized and large private establishments (those with 100 employees or more) enjoyed higher rates of access to health benefits than did their counterparts in small establishments.

The Washington survey for 2004 also found that 63 percent of employers provided health care benefits to full-time workers. Large companies with 100 or more workers were more likely to offer benefits. More than 95 percent of large firms offered health insurance to full-time workers, whereas 55 percent of very small firms with two to nine workers offered coverage to full-time workers.

Summary of Bill:

Employers of 5,000 or more employees are subject to reporting requirements and minimum health care service expenditure standards. The director of the Department of Labor and Industries (Department) is required to administer and enforce these requirements and standards.

Legislative Intent

The Legislature intends to set minimum labor standards for some large employers with respect to health benefit expenditures. It also intends to further the state's interest in ensuring that its residents have access to health care.

The Legislature does not intend to influence the establishment, content, or administration of employee benefit plans. The Legislature is neutral as to whether employers choose to meet the minimum expenditure standard by providing health care services for their employees or paying the state the difference between the minimum expenditure and their actual expenditures.

Reporting Requirement

Employers that employ 5,000 or more employees must report annually to the director of the Department the employer's health care services expenditures and the employer's payroll in the preceding calendar year. Employers may exclude from their payroll the following: wages paid to employees where wages are greater than 150 percent of the average annual wage, and wages paid to employees who are enrolled in or eligible for Medicare.

Chief executive officers or individuals performing similar functions must sign the reports. They also must sign affidavits affirming that they reviewed the information in the report, that the information is true to the best of their knowledge, information, and belief, and that the information does not contain untrue statements of material fact or omit material facts necessary to make the reports not misleading.

Expenditure Standards

Employers that employ 5,000 or more employees must either spend a specified percentage of their payroll on health care services expenditures or pay the director of the Department an amount equal to the difference between the minimum expenditures and their actual expenditures. For employers other than nonprofit organizations and governmental entities, the percentage is nine percent. For nonprofit organizations and governmental entities, the percentage is seven percent. Payments are deposited in the Health Services Account.

Civil Penalties and Hearings

Employers that fail to comply with the reporting requirement are assessed a civil penalty of \$250 per day up to a maximum civil penalty of \$7,500. Employers that fail to report for more than 30 days are presumed to have failed to spend any percentage of their payroll on health care services

expenditures, and are subject to penalties for failing to comply with the expenditures standard. Employers that fail to comply with the expenditures standard are assessed the amount due, plus an interest penalty of one percent per month on the amount due and a civil penalty of \$250,000. Civil penalties are deposited in the Health Services Account.

Employers must be afforded the opportunity for a hearing conducted in accordance with the Administrative Procedures Act. If employers fail to pay assessments that are final, the director must refer the matter to the Attorney General to recover these assessments.

Department of Labor and Industries

The director of the Department must administer and enforce the reporting requirement and minimum expenditure standard. The director also must review reports, inspect records, and conduct investigations and audits that are necessary or appropriate to determine whether an employer is in compliance. Finally, the director must adopt rules necessary to implement the reporting requirement and minimum expenditure standard.

Definitions

An "employer" is an employer as defined in the state Minimum Wage Act who employed 5,000 or more employees in any calendar quarter in the preceding calendar year at any and all locations in Washington.

An "employee" is any individual employed by an employer.

"Health care services expenditures" are amounts paid by an employer to provide or reimburse the cost of health care services for its employees or their dependents in Washington.

"Average annual wage," "payroll," and "wage" are also defined.

Rules Authority:

The director of the Department of Labor and Industries must adopt rules necessary to implement the reporting requirement and minimum expenditure standard.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.